



PEAK ENERGY SERVICES LTD.

■ ANNUAL REPORT 2001 ■

2001 FINANCIAL HIGHLIGHTS

As at December 31

(in thousands of dollars except per share amounts)

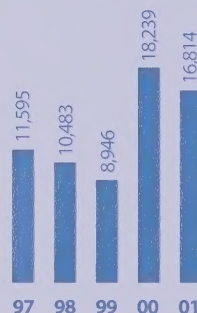
	2001	2000
		(Restated note 11)
REVENUE	\$ 51,298	\$ 48,791
NET INCOME FROM CONTINUING OPERATIONS	\$ 5,753	\$ 9,030
per share (diluted)	\$ 0.18	\$ 0.26
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)	\$ 16,814	\$ 18,239
CASH FLOW	\$ 14,451	\$ 14,457
per share (diluted)	\$ 0.44	\$ 0.43
CAPITAL EXPENDITURES	\$ 9,669	\$ 11,340
CURRENT ASSETS	\$ 20,159	\$ 22,681
TOTAL ASSETS	\$ 142,504	\$ 157,922
LONG-TERM DEBT	\$ 17,696	\$ 39,045
TOTAL LIABILITIES	\$ 46,814	\$ 73,742
SHAREHOLDERS' EQUITY	\$ 95,690	\$ 84,180
NUMBER OF COMMON SHARES OUTSTANDING (000s)	31,085	33,209

CONSOLIDATED REVENUE (\$ thousands)



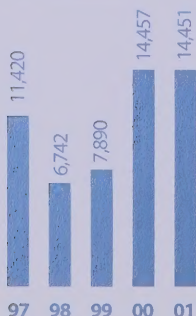
Our top line growth trend remains strong

EBITDA (\$ thousands)



After doubling in 2000, EBITDA was off marginally due to a weak fourth quarter in 2001

CASH FLOW (\$ thousands)



Cash flow remained strong in 2001

PRE-TAX NET INCOME (\$ thousands)



Pre-tax net income was virtually unchanged from 2000 levels

FELLOW SHAREHOLDERS

The year 2001 proved to be a very challenging year for the Canadian Oil and Gas Service Sector. After a very strong first half, the second half of the year was characterized by declining oil and natural gas prices that translated into reduced levels of drilling. Until 2001, we had never witnessed the rig count actually decline in the fourth quarter instead of the typical build in activity due to the seasonal winter drilling season. In spite of this weakness, Peak Energy Services Ltd. achieved strong results relative to the industry. We achieved record revenue of \$51.3 million and our cash flow was identical to 2000, totaling \$14.4 million in both years. Pre-tax net income was also virtually unchanged totaling \$10.2 million in 2001 versus \$10.6 million in 2000. These operating results were achieved in spite of major volatility in the operating environment which made managing our cost structure very challenging.

Creating Shareholder Value

In our 2000 annual report, our theme was "Focusing on Value." We outlined several initiatives that we were reviewing to enhance shareholder value. To that end, we were successful in divesting of our electronic instrumentation business, Chimo Equipment Ltd. for total proceeds of \$28.2 million, which generated an after-tax gain of \$11.7 million or \$0.35 per share. Coupled with our operating results, our book value per share increased by 22% from \$2.53 per share to \$ 3.08 per share. In addition, we successfully reduced our net interest bearing debt by \$33.5 million or 72%. These initiatives have not only enhanced our value per share, but have positioned our Company to continue to expand through either external acquisitions or internal growth initiatives. Our balance sheet is among the strongest in the sector. At December 31, 2001 our interest bearing debt net of cash totaled \$13 million on equity of \$96 million giving us a debt to equity ratio of 0.14:1.0. In addition, our working capital ratio totaled 7.0:1.0 including \$7.5 million of cash on hand. When combined

with our \$55 million in borrowing capacity, Peak is well positioned to capitalize on several growth initiatives currently under review.

Outlook

The outlook for the oil and gas services sector will continue to be characterized by volatility. Managing our business within that context will continue to present many challenges for our management team. However, volatility presents opportunity. The Peak management team has a proven track record of expanding our business at low points in the business cycle and realizing value at high points. Examples of this include the acquisition of certain solids control assets out of receivership in the fall of 1999 and the sale of our electronic instrumentation business in the first quarter of 2001 at a very attractive value.

We believe that there remains a significant overcapacity situation in the Canadian oil and gas service sector. As well, fewer but larger producers are demanding to deal with fewer suppliers providing a broad range of services. These factors will lead to more consolidation in our industry. Given these facts and our strong balance sheet and financing capacity, we view the current downtrend as an opportunity to expand our business and continue with implementing our strategic plan of being one of the primary service providers in western Canada.

The outlook for the Company continues to be strong. Hydrocarbon prices have begun to rebound. The effects of an economic recovery coupled with reduced drilling activity over the past nine months will result in stronger activity levels in 2003. Peak is well positioned to benefit from stronger activity levels and will continue to be committed to reviewing all alternatives to enhancing value for our shareholders.

On behalf of the Board of Directors, I would like to thank all of our employees for their continued commitment and dedication. Our employees are, and will continue to be, the greatest source of our ongoing success.



A stylized, handwritten signature in dark ink, appearing to read "Chris Haslam".

Christopher E. Haslam

President and Chief Executive Officer

March 28, 2002



Curt W. Whitterton
Vice President, Operations

Since our inception, Peak has been focused on a strategy of growing to a critical mass that would enable us to meet an increasing demand from our customers, who wanted to reduce the number of suppliers they were dealing with and to develop long-term relationships with service companies that could supply them with a broader range of equipment, service and geographic coverage. To date, the Company has carved out a definite niche, both in equipment lines and geographic presence in all of our business segments and holds a significant market share in all of the areas that we operate in.

We have proven our ability to successfully manage this rapid growth as we now operate our business under three subsidiary companies that work within two distinct divisions; Drilling Services and Production Services. These subsidiaries operate out of strategic locations throughout the Western Canadian Sedimentary Basin. This broad geographic coverage gives our customers convenient access to our equipment and services in

the many remote areas they operate in. Peak enjoys a reputation of supplying superior equipment and a high quality of service to its customers. Our customer base is made up of over three hundred operators and we have forged strong alliances with most of the top 15 most active operators in Canada.

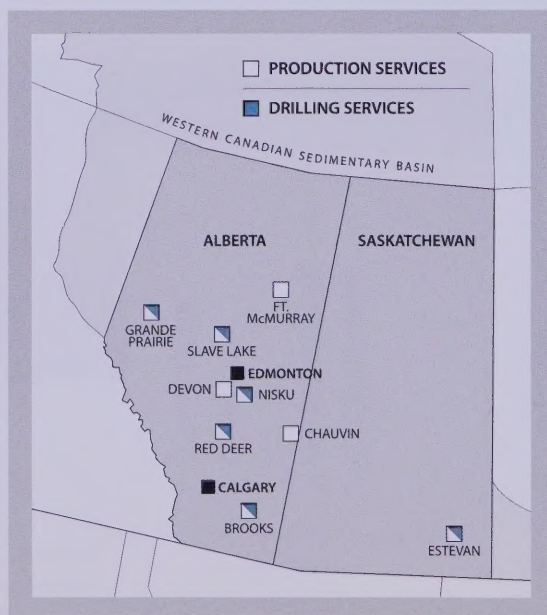
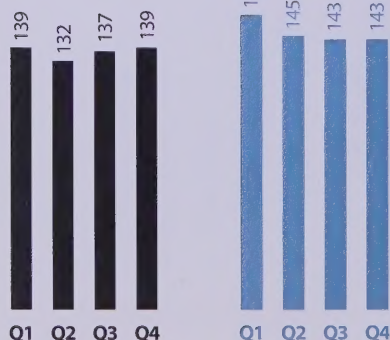
Peak believes that measuring the success of our operation encompasses more than just financial results and to that end launched a project late in 2000 that we believed would equally benefit the Company, our employees and our valued customer base. In 2001 the Company spent a significant amount of time and capital on developing and implementing a company intranet site named "Peak Basecamp". This intranet site has become the nucleus of our day to day operation. It has given the company the ability to pass and share information between companies or within each company on a branch to branch basis. The type of information shared is all encompassing and includes but is not limited to corporate policy, insurance/financial information, Environmental Health & Safety information/inspections and on-line training for all of our employees in all aspects of our business. One major benefit of this system that has already been realized was receiving our "Certificate of Recognition" in our Rocky Mountain Energy Services subsidiary where we gained this level of achievement by passing on our first "PITS" audit within one year of starting the process with a pass mark of 93%.

It is this type of ongoing commitment by the management of Peak Energy Services Ltd. that will ensure our customers, employees and shareholders can enjoy a solid future in dealing and working with a company that is committed to conducting its' business in a safe and environmentally responsible manner. We believe that this type of thinking creates a work environment that attracts first-rate people who in turn are responsible for creating gained efficiencies that ultimately create value for all stakeholders.

TOTAL ASSETS (\$ millions)

2000

2001

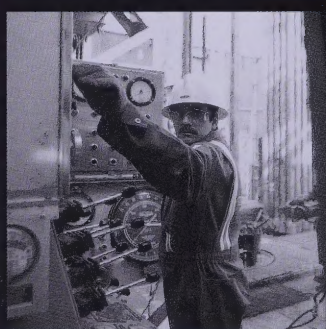
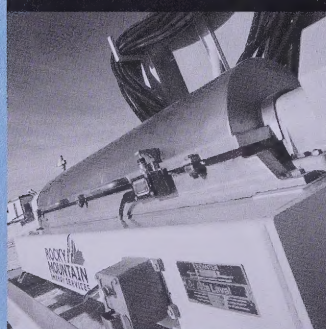
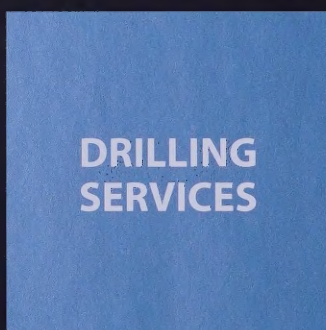
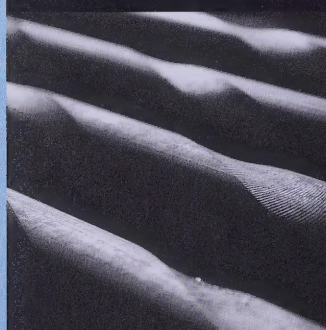
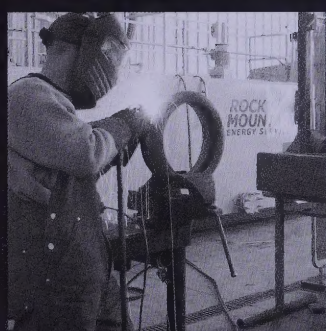
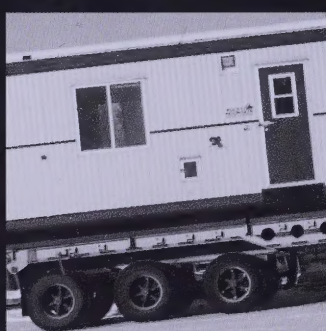
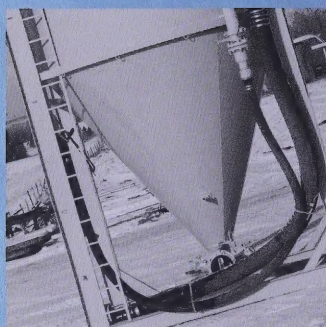


PEAK ENERGY SERVICES

Drilling Services 2001 – 63% of revenue		Production Services 2001 – 37% of revenue		
Rocky Mountain Energy Services		Rocky Mountain Energy Services	Peak Anchor Services	Lorchem Industries
Drilling-related Rental Equipment		Production Rental Equipment	Anchor Services	Speciality Fluids Handling
Well-site Accommodations Engineer/geologist units Command centres Office trailers Sleepers Custom design units Satellite systems Solids Control Sumpless drilling systems Centrifuges Surface tanks Sump tanks Shale sloops Cone tanks Premix tanks Polymer tanks Shale shakers Rig matting	Miscellaneous Drill pipe HW drill pipe Drill collars Handling tools BOP equipment Accumulators Spools and flanges HCR valves Power tongs	Production Production tanks Production tubing Single well batteries Separators Service Rigs Rig tanks Rig matting Flare stacks Power swivels Workover tubing Handling tools Pup joints BOP equipment Accumulators Spools, flanges, valves Light towers Power tongs Frac Packages Frac tanks Frac heads Flow back tanks Frac tubing Filter units	Anchoring service rigs Anchoring flarestacks Industrial applications	Completion fluid hauling (frac fluid, acid etc.) Crude oil hauling Chemical hauling (methanol, glycol etc.) Water hauling Hot oiler units Pressure trucks Vacuum trucks Steamer units

Our corporate structure shows two distinct divisions; Drilling Services and Production Services. Early in our growth curve Peak recognized the need to continue to diversify into Production Services. This has proven to be a successful strategy in that our cash-flow stream is less cyclical.

Although our Drilling Services division tends to produce higher margins, it is subjected to more volatility based on seasonality and industry fundamentals.



SOLIDS CONTROL

Similar to the Company's well-site business, Peak's solids control division runs within its Rocky Mountain Energy Services subsidiary. Based in Calgary, this division also has strategically located operating facilities in Grande Prairie, Slave Lake, Nisku, Red Deer, Brooks and Estevan. Being located in these geographic regions gives our customers access to equipment and service personnel throughout the Western Canadian Sedimentary Basin. Peak's main competitive advantage in this division remains the age and quality of our rental fleet in comparison to our peers in the industry.

Peak's solids control division is used primarily for the removal of well-bore cuttings from drilling fluids by way of our sumplex drilling systems. These systems are used predominantly in the drilling of deeper critical gas wells and for directional or horizontal applications. They act as a secondary or tertiary line of defense for removing the finer particulate matter in the drilling fluid. The removal of this fine particulate matter can often mean the difference between success or failure on the drilling of these expensive, critical wells. Should the solids content of the drilling mud not be strictly controlled, it can; result in formation damage that affects the economics of the drilling play, cause well-bore integrity problems that can lead to expensive down-hole tools becoming damaged or lost in the well-bore and/or well control problems that can create monumental safety and environmental liabilities. The nucleus of our sumplex drilling systems is the high-speed centrifuge with the balance of the equipment being a series of pumps and tanks that surround the centrifuge. These systems are packaged to meet the customer's exact requirements and specifications. Other uses for this type of equipment include production, industrial and environmental applications. We have gained significant experience in these areas over the past year and expect this trend to continue which will ultimately help reduce our exposure to the cyclicity of the drilling business.

Peak remains the second largest supplier of solids equipment in Canada where we have 129 decanter units and an approximate market share of 20%. The expansion of this division has come through a combination of internal capital expenditures and opportunistic acquisition. Peak continues to look for growth opportunities and in keeping with this philosophy we took delivery of four, state of the art, high volume centrifuges in January 2001. These machines have been in high demand since we took delivery and have consistently outperformed both industry drilling utilization statistics and that of our other drilling related products.

Our solids control division managed to generate \$17.3 million or 54% of our drilling services revenue for the 12 months ended December 31, 2001. This compares to \$16.3 million or 53% of our drilling services revenue for 2000 and shows an increase of 6.1% in revenue, year over year. We feel that we are very well positioned for the future given the young age and excellent condition of our equipment in this area. This, coupled with a very broad client base that we continue to grow and maintain, will bode well for the company when activity returns to more normal levels.

Peak's solids control division is expected to contribute approximately 54% of its drilling services revenue in 2002. Capital expenditures are expected to run around \$1.5 million for 2002. The majority of this will be spent on the

re-furbishment of our existing fleet which further emphasizes our commitment to supplying our customer base with the best equipment and service possible.

WELL-SITE ACCOMMODATIONS

Our well-site accommodation division runs under the umbrella of our subsidiary company, Rocky Mountain Energy Services with its head office in Calgary. Like our solids control division our well-site division is further supported from six strategically located operating facilities in Grande Prairie, Slave Lake, Nisku, Red Deer, Brooks and Estevan. These stations allow us to better serve our customers over a broader geographic region.

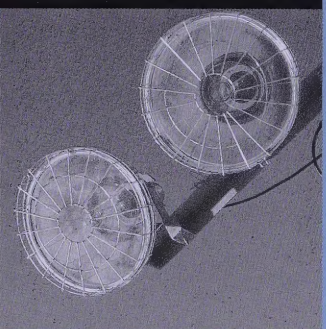
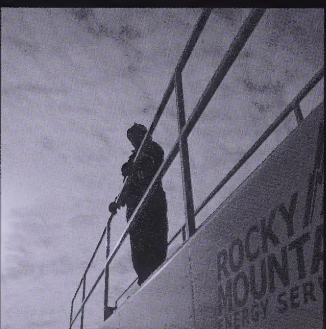
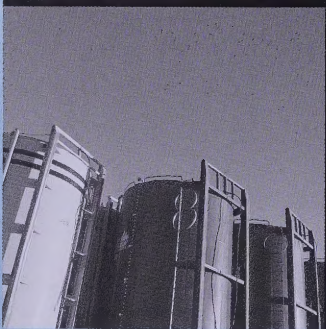
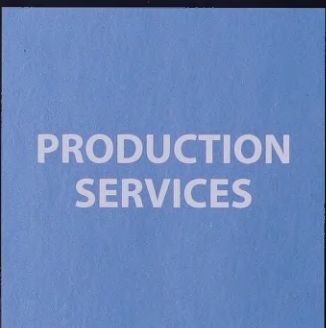
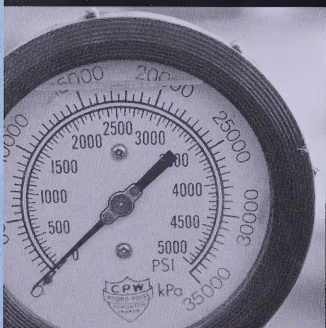
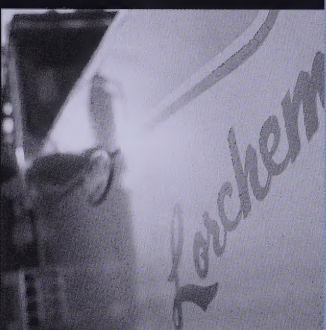
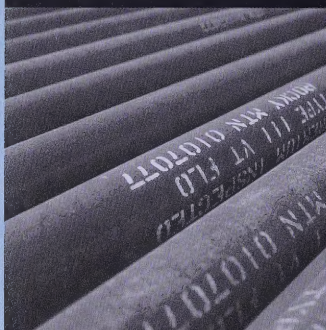
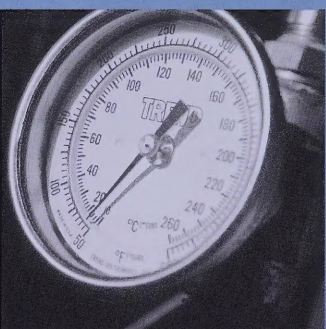
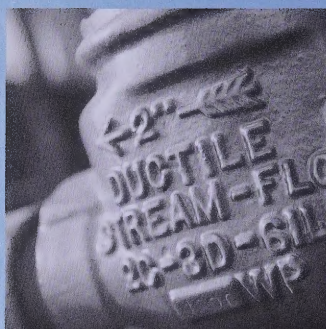
The main competitive advantage that Peak has in this business segment is our manufacturing facility out of which we design, build and maintain our fleet. These advantages allow us to better meet the ever-changing needs of our customers. During the past year Peak continued with its' plan to substantially increase the throughput of new-builds for third party customers in other industries. By maintaining a steady backlog of work we operate more efficiently and better utilize our manufacturing plant capacity. Plans were also initiated late in the year to create a new subsidiary of Peak by making the plant a "stand alone" operation outside the confines of Rocky Mountain Energy Services. This will better allow us to focus on our goals of continued growth and increased operating efficiency in both the rental and manufacturing segments of our business. We anticipate completing this transition early in 2002.

Over the past year we expanded the total number of well-site trailers in our fleet by 34 units and refurbished an additional 21. The addition of these new units allows us to continually cull our fleet of older units during slow times, keeping the average age of our fleet much lower and the condition of our fleet much higher than industry standards. The sale of older units was initiated in the latter part of 2001 coinciding with the drop off in rig activity and will continue into the first half of 2002. Peak remains the largest supplier of well-site accommodations in Canada with 371 units and an approximate market share of 30%.

Our well-site accommodation division generated \$14.8 million or 46% of our drilling services revenue for the 12 months ended December 31, 2001. This compares to \$14.4 million or 47% of our drilling services revenue for 2000 and shows an increase of 3% in revenue, year over year.

Peak is well positioned in the well-site market, not only due to our market share but because of the broad client base that we maintain with key customers that are highly leveraged to gas production and heavily involved in the horizontal drilling markets. This strong client base will continue to pay dividends for the company when the commodity prices that took such a dramatic turn for the worse in the second half of 2001 return to normal levels.

This business is expected to contribute approximately 46% of Peak's drilling services revenue for 2002. Capital expenditures for 2002 will be approximately \$0.8 million. The majority of this will be spent on the re-furbishment of our existing units to further strengthen our position in the marketplace.



Our Production Services division provides a broad range of equipment and services that play a key role in the production and completion phases of a well. The two major areas within this division are production rentals and fluids handling. Peak's production rentals business is operated within Rocky Mountain Energy Services and the fluids handling operation remains the responsibility of Lorchem Industries (1998) Ltd. While the Production Services division doesn't generate the higher revenues or margins of our larger Drilling Services division it is a key component of Peak and helps to reduce the seasonality and cyclicalities that is typical of services tied to the drill bit.

PRODUCTION RENTALS

Peak's production rentals business continues to prosper under the umbrella of Rocky Mountain Energy Services. The business has just completed its second full year of operations within Rocky and has taken advantage of the wider geographic distribution afforded it through six strategic stations located in Grande Prairie, Slave Lake, Nisku, Red Deer, Brooks and Estevan. This wide distribution network ensures that the broad range of rental equipment supplied by this division can easily be mobilized to any location throughout the Western Canadian Sedimentary Basin on short notice, further increasing the level of service that can be provided to our valued customer base. The products provided by the rental division are too numerous to list but include a large cross section of goods involved in both the production and completion phases of a well.

Peak continues to operate its small but profitable subsidiary involved in providing tension-anchoring services to the industry, primarily for service rigs. Peak Anchor Services operates under the trade names of "Anchor King" in Red Deer, Stettler, Slave Lake, High River and "Anchor Specialties" in Chauvin, Lloydminster and Macklin.

FLUIDS HANDLING

This division operates a fleet of modern, well maintained tank trucks that are designed to handle all types of oilfield fluids and also provides services to the oil and gas industry in the form of vacuum trucks, pressure trucks, hot oilers and industrial cleaning.

Peak's fluids handling division is operated by Lorchem Industries (1998) Partnership with its head office and main operations base located in Devon. In addition to the Devon operation the company also provides this full suite of services through two satellite stations located in Calmar and Red Deer.

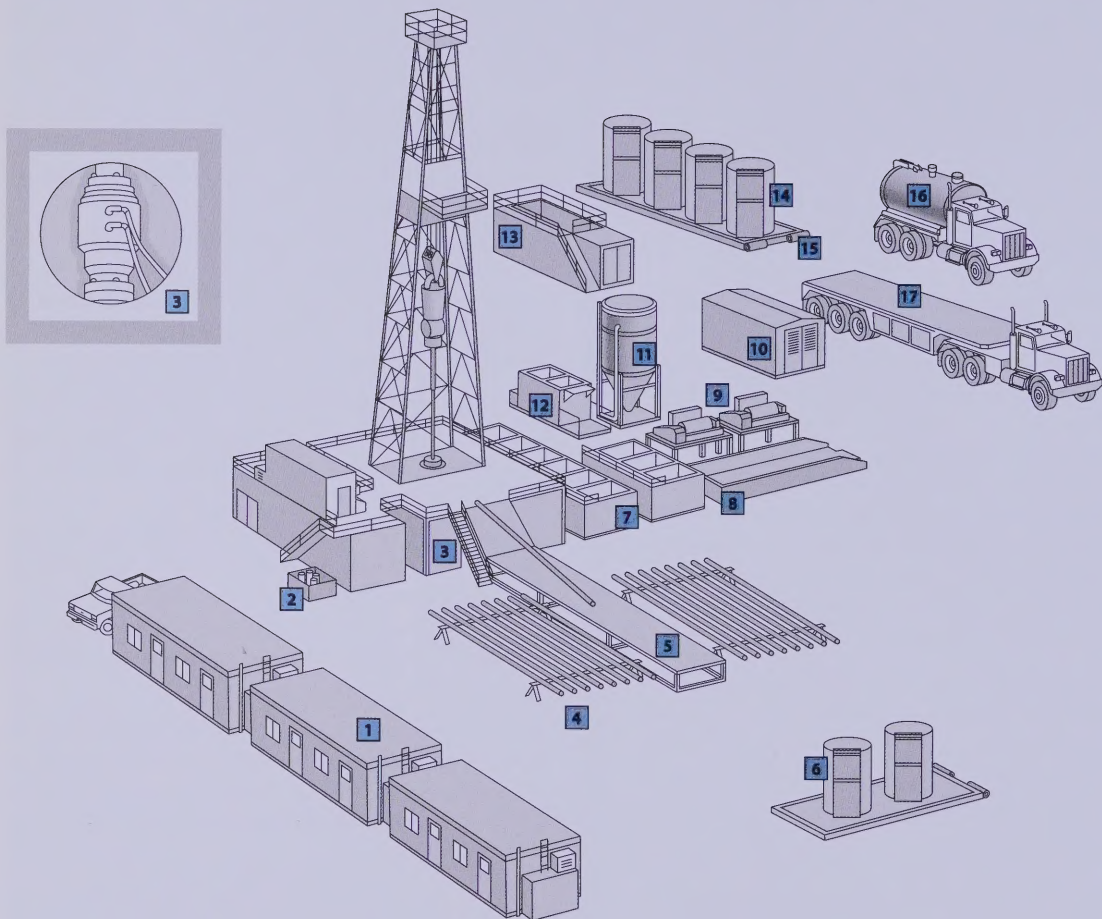
Lorchem is also under contract to Syncrude Canada near Ft. McMurray where they look after all of Syncrude's fluids handling needs on their oil-sands site. This has been a significant growth area for Lorchem over the past year with the scope of the Syncrude contract being expanded to include the new Aurora mine site, located north of the main site. Lorchem is to provide essentially the same services it has provided on the main site in the past. In addition to this, a new 5 year contract was negotiated in late 2001 and signed in early 2002. This contract includes the provision of services for both mine sites.

Our Production Services division generated \$19.2 million or 37% of Peak's revenue for the 12 months ended December 31, 2001. This compares to \$18.1 million or 37% of our total revenue in 2000 and shows an increase of 6% in revenue, year over year.

Peak believes that our ability to put together comprehensive service packages for our customers over a broader geographic region remains our main competitive advantage in this area. Our mission is to continue to develop relationships and to provide a high quality of service and equipment that will ultimately help our customers reduce their production costs at the wellhead.

The division is a consistent performer and continues to reduce our exposure to the cyclicalities and seasonality of our much larger Drilling Services division. Capital expenditures will run approximately \$1.0 million in this division and it is expected to contribute approximately 41% of Peak's total revenue in 2002.

DRILLING SERVICES



1— Well-site accommodations

2— Subs, valves, flanges, handling tools

3— Blowout preventor

4— Drill pipe, H.W. drill pipe, drill collars

5— Catwalk

6— Cement bin & water tank

7— Surface tank

8— Shale sloop

9— Centrifuge

10— Generator

11— Cone tank

12— Polymer tank

13— Premix tank

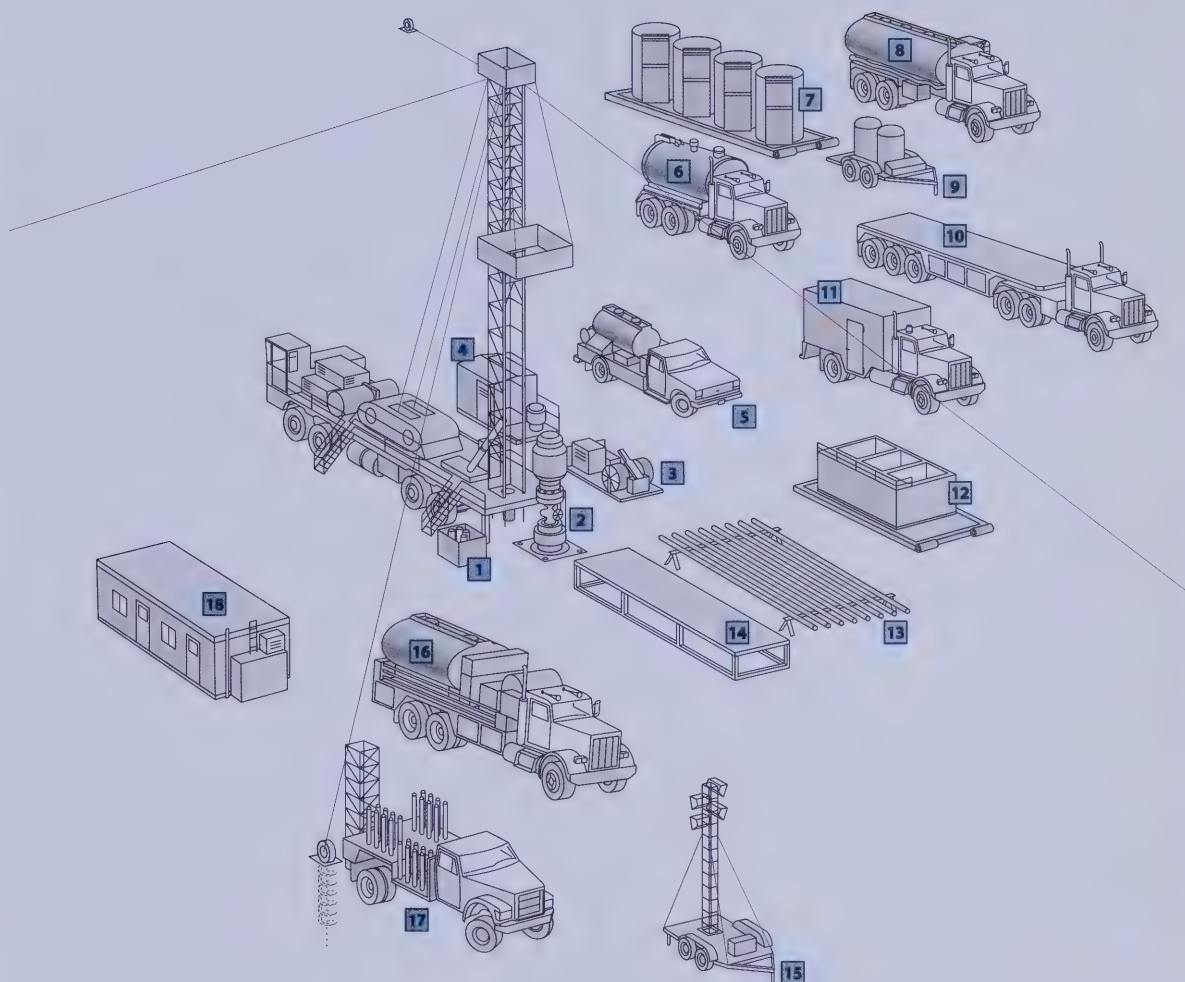
14— Mud storage tanks (400 BBL tanks)

15— Rig matting

16— Vacuum truck

17— Winch tractor/Bed truck

This represents a selection of the various services and rental equipment that Peak provides through its Drilling Services division.



- 1— Subs, valves, flanges, handling tools, pup joints
- 2— Wellhead with blowout preventor
- 3— Power swivel
- 4— Accumulator
- 5— Pressure truck
- 6— Vacuum truck
- 7— Frac tanks/Production tanks with matting
- 8— Tank truck
- 9— Filter unit

- 10— Winch tractor/Bed truck
- 11— Steam truck
- 12— Rig tank with matting
- 13— Production tubing, frac pipe, workover tubing
- 14— Catwalk
- 15— Light tower
- 16— Hot oiler truck
- 17— Anchor truck
- 18— Well-site accommodations

This represents a selection of the various services and rental equipment that Peak provides through its Production Services Division.



Matthew J. Huber
Vice President Finance

This management's discussion and analysis focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties relating to the oilfield service industry. This discussion should not be considered all inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion and analysis of the financial condition and results of operations for the year ended December 31, 2001 should be read in conjunction with the financial statements and related notes and material contained in other parts of this annual report.

Note: The prior year income statement has been restated for the discontinued operations of Chimo Equipment Ltd. ("Chimo") sold effective March 20, 2001.

RESULTS of OPERATIONS

Revenue

For the twelve months ended December 31, 2001, Peak Energy Services Ltd. ("Peak" or the "Company") generated record revenue of \$51.3 million compared to \$48.8 million for 2000, representing an improvement of 5% compared to an increase of 3% in the number of rig operating days over this time period. The total rig operating days during 2001 were 120,445 compared to 117,446 in 2000 and an all-time high of 128,044 in 1997. By comparison, the number of wells drilled were up 7% from 16,299 in 2000 to 17,517 in 2001.

Drilling Services generated approximately \$32.1 million in revenue or 63% of total revenue for the twelve months ended December 31, 2001 compared to \$30.7 million or 63% for the same period in 2000. Well-site accommodations contributed \$14.8 million or 46% of the drilling services revenue during 2001 with the balance of \$17.3 million or 54% provided by solids control. This compares to \$14.4 million or 47% for well-site accommodations and \$16.3 million or 53% for solids control for the same period in 2000.

Production Services contributed \$19.2 million or 37% of total revenue for the twelve months ended December 31, 2001 compared to \$18.1 million or 37% for the same period in 2000.

The improvement in revenue in both of the Company's operating segments for 2001 was mostly attributable to the strong activity levels and pricing experienced during the first half of the year.

Operating Expenses

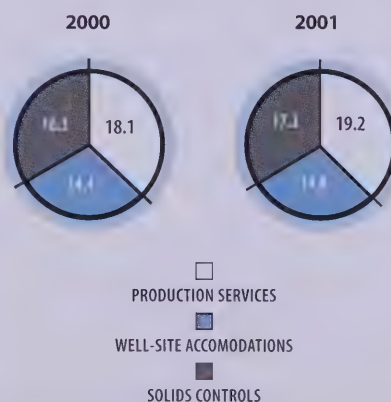
Operating expenses, excluding external cost of sales of \$2.7 million, were \$18.6 million or 39% of operating revenue in 2001. By comparison, operating expenses prior to external cost of sales of \$2.1 million, were \$17.1 million or 37% of operating revenue in 2000. The Company incurred approximately \$0.4 million of one-time costs during the fourth quarter of 2001 that were non-existent in 2000. Included in these one-time charges was an inventory write-down for approximately \$0.2 million and restructuring severance costs of approximately \$0.2 million. The anticipated savings from the restructuring is approximately \$1.0 million annually. This coupled with the fact that Peak retained the majority of its skilled labor force for a good portion of 2001 in anticipation of a turnaround in activity were the primary reasons for the increase in operating expenses as a percentage of revenue in 2001. Excluding the one-time charges recorded during the fourth quarter of 2001 results in operating expenses of approximately \$18.2 million or 38% of operating revenue for 2001.

General and Administration Expenses

General and administration expenses were \$13.2 million or 26% of total revenue in 2001 compared to \$11.4 million or 23% of total revenue in 2000.

General and administration expenses include salaries and benefits for office and selling staff, rent, utilities and communications in the Company's various divisional offices and its corporate head office. General and administration expenses also include costs to maintain the Company's public listing and professional fees required to operate the head office.

REVENUE by DIVISION (\$ millions)



The increase in general and administration expenses was attributable to the Company recording one-time adjustments totalling approximately \$0.5 million during the fourth quarter combined with higher employee costs, increasing insurance premiums and higher legal and accounting expenses. The one-time adjustment recorded during the fourth quarter of 2001 mainly includes minor severance costs associated with the cost reduction plan initiated in early December 2001 and an increase in the Company's allowance for uncollectible receivables (\$0.5 million). Peak continues to pursue the collection of a prior year receivable that comprises the majority of the increase in the allowance and is confident some amount will ultimately be collected, however given the protracted nature of the situation, management has elected to provide for a full allowance at this time.

Interest Expenses

Interest on long-term debt was \$2.2 million or 4% of operating revenue in 2001 compared to \$3.5 million or 7% of operating revenue in 2000. The 38% decrease was the result of the \$21.2 million repayment of long-term debt that was made during 2001.

Depreciation and Amortization

Depreciation and amortization was \$5.4 million in 2001 compared to \$5.3 million in 2000. The increase compared to 2000 is the result of higher equipment utilization in the first half of 2001 as well as increased depreciation on the significant capital expenditures incurred in 2000.

Gain on Sale of Discontinued Operations

On March 20, 2001, Peak sold the shares of its wholly owned subsidiary, Chimo representing the drilling instrumentation segment, for total cash proceeds of \$28.2 million. The net gain on the sale of the discontinued operations amounted to \$11.7 million (\$0.35 per share diluted) after income taxes of \$0.1 million and the net income from the discontinued operations was \$0.9 million (\$0.03 per share diluted) in both 2001 and 2000. Chimo generated revenues of \$3.6 million to the date of disposal compared to \$8.9 million for 2000. These amounts have been excluded from the revenues from continuing operations in both 2000 and 2001.

As a direct result of the significant gain realized by the Company on the sale of Chimo and the Company's overall performance in 2001, Peak Energy substantially strengthened its financial position during the year. Total bank debt was reduced by \$26 million during 2001, with \$4.8 million of operating debt being repaid and long-term debt reducing from \$41.8 million to \$20.6 million at the end of 2001. This focus on reducing long-term debt has resulted in the Company having net debt of \$3.3 million at the end of 2001 on tangible assets of \$123.5 million. Net debt is defined as total long-term debt including current portion less working capital.

Income Taxes and Net Income

Income from continuing operations for 2001 was \$5.8 million (\$0.18 per share diluted) compared to \$9 million (\$0.26 per share diluted) in 2000. Included in 2000 was a tax rate adjustment for approximately \$4 million (\$0.12 per share diluted) to reflect the reduction in the Company's future tax liability relating to the lower tax rates enacted by the Federal Government during the fourth quarter of 2000. Excluding this adjustment, results in net income of approximately \$5 million (\$0.14 per share diluted) for 2000.

Net income for 2001 was \$18.3 million (\$0.56 per share diluted) compared to \$10 million (\$0.29 per share diluted) in 2000. Included in net income for 2001 were the results of the discontinued operations of Chimo noted above and the gain on sale of this entity for \$11.7 million (\$0.35 per share diluted).

The current income tax provision of \$0.1 million is offset by a \$0.8 million tax recovery that was realized in the year as a result of losses carried back to prior years. The future provision is \$3.2 million. Overall, the Company is showing an effective tax rate from continuing operations for the year of 33%. This rate is lower than prior years as a result of the tax losses carried back as discussed above, combined with the introduction by the Alberta government of a 2% tax rate reduction effective in April 2001. This rate reduction represents the first of a number of rate reductions that are planned for the next four years, which, if all are enacted, will reduce the overall Alberta corporate tax rate by an estimated 7.5% by 2004.

LIQUIDITY and CAPITAL RESOURCES

Funds Provided by Operations

Funds provided by operating activities, before changes in non-cash working capital components were \$14.5 million (\$0.44 per share) in 2001 compared to \$14.5 million (\$0.43 per share) in 2000.

Investments

Net cash received in investing activities in 2001 was \$19.3 million compared to an \$8.6 million use of cash in 2000. The increase in cash flow from investing activities was primarily due to the \$28.2 million proceeds received from the sale of Chimo during the year.

Financing

Net cash used in financing activities in 2001 was \$32.9 million compared to \$3.1 million in 2000. This increase was mainly due to the repayment of \$26 million of bank debt by the company during the year. In addition, the Company repurchased \$7.2 million in share capital in 2001 compared to \$2.4 million in 2000.

Liquidity

The Company had net working capital of \$17.3 million (excluding the current portion of long-term debt) at the end of 2001 compared to \$13.5 million at the end of 2000. As at December 31, 2001, shareholders' equity was \$95.7 million compared to \$84.2 million at the end of 2000 and long-term debt was \$17.7 million at the end of 2001 compared to \$39.0 million at the end of 2000.

Long-Term Debt

At the end of December 2001, the Company had reduced its long-term debt (including current portion) by \$21.2 million from \$41.8 million at the end of 2000 to \$20.6 million as at December 31, 2001.

The Company's debt facility consists of:

- An acquisition facility authorized for \$25 million. Currently the Company has \$nil drawn on this facility. This loan has the flexibility to be drawn down and repaid without incurring any penalties. The Company anticipates this facility will be extended on an interest only basis for a further 24-month term coinciding with the annual review in May 2002. The loan is utilized to fund capital expenditures and acquisitions as required and is secured by accounts receivable and certain equipment.
- An \$8.7 million loan payable to First Treasury Financial Inc. requiring quarterly principal payments of \$0.3 million. Interest is calculated at 8.03%. The loan matures May 2004 and is secured by certain equipment.
- A \$4.4 million loan payable to First Treasury Financial Inc. requiring quarterly principal payments of \$0.1 million. Interest is calculated at 7.66%. The loan matures May 2004 and is secured by certain equipment.
- A \$7.5 million loan payable to GE Capital Corporation requiring monthly payments of \$0.1 million including interest at bank prime rate plus 1.5%. The loan matures March 2004 and is secured by certain equipment.

All covenants were satisfied at the end of December 2001 and all banking requirements were up to date.

Share Capital

The Company's common share capital decreased from \$80.1 million at the end of 2000 to \$74.5 million at the end of 2001 due to the continuation of the normal course issuer bid, which was renewed for another 12-month period effective May 10, 2001. The Company has purchased 2,498,300 shares since the end of 2001 at an average price of \$2.91 per share. Of the 2,498,300 shares repurchased in 2001, 1,495,400 apply to the issuer bid renewed on May 10, 2001. Since 1998, the Company has repurchased 6,541,400 shares at an average price of \$2.45.

Peak had 31.1 million common shares outstanding at the end of 2001 compared to 33.2 million at the end of 2000 and the Company had 2.6 million options outstanding at the end of 2001 compared to 2.9 million at the end of 2000.

BUSINESS RISK and MANAGEMENT

The oil and gas services industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers. These companies base their capital expenditures on several factors, including but not limited to, hydrocarbon prices, production levels of their current reserves and access to capital. Activity levels are ultimately dependent on the above factors. However, there tends to be a lag time as most oil and gas producers and explorers do not change their capital expenditure budgets due to short-term changes in any one of the above factors.

The segments of the oil and gas service industry in which Peak operates are heavily reliant on the level of drilling activity in western Canada. There

is a direct correlation between drilling activity and utilization rates for the company's services.

Peak has a comprehensive insurance and risk management program in place to protect its assets and operations. This program meets or exceeds industry standards. The Company also has programs in place to ensure it meets or exceeds current environmental standards. Peak's internal safety procedures include detailed safety and operating procedure manuals for each of its subsidiaries, as well as required internal and external safety environmental response and operating training for all employees. The general managers of each of Peak's subsidiaries are required, in the event of any incident, to report to Peak's Vice-President, Operations.

OUTLOOK

The upcoming year will continue to present many challenges for the Canadian oil and gas services sector. From an industry perspective, 2002 activity is expected to be off 20-25% from 2001, reducing to approximately 13,500 wells, with the weakest quarters occurring in the second and third quarters of the year. Following this, the general consensus is that 2003 will see a recovery in the sector with approximately 17,000 wells expected to be drilled during this period. The negative impact to our drilling services division resulting from reduced activity should be offset somewhat by our production services division. To that end, we are pleased to announce that our fluids handling business has recently extended our contract with Syncrude Canada Ltd. for a further five-year period.

Peak management has a proven track record of expanding our business in downturns, and realizing value at or near the top of the cycle (sale of Chimo). Peak is well positioned to take advantage of opportunistic transactions to enhance shareholder value in the current environment. Our balance sheet is one of the strongest among our peer group, with net debt of \$3.4 million on tangible assets of \$123.5 million, working capital of \$17.2 million and cash on hand of \$7.5 million at year-end. The strength of the Company's balance sheet at year-end will not only ensure the Company is well positioned to withstand the anticipated drop in activity expected for the second and third quarters of 2002, but it also provides for extensive flexibility in generating shareholder value. In addition to our strong cash position, the Company has in excess of \$40 million of undrawn credit facilities available to pursue strategic opportunities. Peak remains committed to exploring all options regarding the maximization of shareholder value. To that end, management continues to work closely with its financial advisor TD Securities, Inc. to explore all alternatives to maximize shareholder value.

Management will continue to aggressively manage the business to maximize revenue in the current environment while continuing to reduce costs in response to industry conditions. As noted above, management initiated a cost reduction program in December 2001 which reduced our drilling services personnel by approximately 15% in response to lower than expected activity levels in the fourth quarter of 2001. We continue to review all areas of our business and will aggressively respond to changes in activity levels.

REPORT from MANAGEMENT

All information presented in the annual report is the responsibility of the Company's management. The accompanying consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

The Company's management has implemented and maintained internal controls to provide reasonable assurance that assets are properly

safeguarded and that transactions and financial records are properly recorded and maintained to provide reliable financial information.

The Audit Committee of the Board of Directors has reviewed the financial statements with management and KPMG LLP, the Company's external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



Christopher E. Haslam CMA, CBV

President and Chief Executive Officer

March 20, 2002



Matthew J. Huber CA, CMA

Vice President, Finance

March 20, 2002

AUDITORS' REPORT to SHAREHOLDERS

We have audited the consolidated balance sheets of Peak Energy Services Ltd. as at December 31, 2001 and 2000 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test

basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Calgary, Alberta

February 18, 2002

CONSOLIDATED BALANCE SHEETS

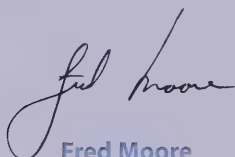
As at December 31	2001	2000
ASSETS		
Current assets:		
Cash	\$ 7,506	\$ -
Accounts receivable	9,534	18,897
Prepaid expenses	1,216	1,601
Inventory	1,903	2,183
	20,159	22,681
Capital assets (note 3)	103,335	114,733
Investment (note 4)	544	650
Goodwill less accumulated amortization of \$5,087 (2000 - \$3,945)	18,466	19,858
	\$ 142,504	\$ 157,922
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 5)	\$ -	\$ 4,802
Accounts payable and accrued liabilities	2,118	4,341
Income taxes payable	756	-
Current portion of long-term debt (note 6)	2,901	2,772
	5,775	11,915
Long-term debt (note 6)	17,696	39,045
Future income taxes	23,343	22,782
Shareholders' equity:		
Share capital:		
Common shares	74,546	80,134
Contributed surplus	516	1,767
Retained earnings	20,628	2,279
	95,690	84,180
Commitments (note 7)		
	\$ 142,504	\$ 157,922

Financial statements

Approved by the Board:



Christopher E. Haslam
Director



Fred Moore
Director

CONSOLIDATED STATEMENTS of INCOME

Years ended December 31	2001	2000
(in thousands of dollars except per share amounts)		
Revenue	\$ 51,298	\$ 48,791
Expenses:		
Operating	21,322	19,222
General and administration	13,162	11,330
Interest on long-term debt	2,153	3,452
Other interest	—	52
Depreciation	4,306	4,099
	40,943	38,155
Income from continuing operations before other items	10,355	10,636
Equity loss from investment (note 4)	(106)	—
Income from continuing operations before income taxes	10,249	10,636
Income taxes (note 8):		
Current	118	42
Future	3,236	387
	3,354	429
Income from continuing operations before goodwill amortization	6,895	10,207
Amortization of goodwill, net of income taxes	1,142	1,177
Income from continuing operations	5,753	9,030
Income from discontinued operations, net of income taxes (note 11)	893	946
Income before gain on sale of discontinued operations	6,646	9,976
Gain on sale of discontinued operations, net of income tax	11,703	—
Net income	\$ 18,349	\$ 9,976
Earnings per share before goodwill amortization		
Basic	\$ 0.22	\$ 0.30
Diluted (note 2(b))	\$ 0.21	\$ 0.30
Earnings per share from continuing operations		
Basic	\$ 0.18	\$ 0.27
Diluted (note 2(b))	\$ 0.18	\$ 0.26
Earnings per share		
Basic	\$ 0.57	\$ 0.30
Diluted (note 2(b))	\$ 0.56	\$ 0.29

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS of RETAINED EARNINGS (Deficit)

Years ended December 31	2001	2000
(in thousands of dollars)		
Retained earnings (deficit), beginning of year as previously reported	\$ 2,279	\$ (5,512)
Change in method of accounting for income taxes (note 2(a))	—	(2,185)
Retained earnings (deficit) as restated	2,279	(7,697)
Net income	18,349	9,976
Retained earnings, end of year	\$ 20,628	\$ 2,279

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS of CASH FLOWS

Years ended December 31	2001	2000
share amounts		
OPERATING ACTIVITIES:		
Income from continuing operations	\$ 5,753	\$ 9,030
Add (deduct) items not affecting cash:		
Depreciation and amortization	5,448	5,276
(Gain) loss on sale of equipment	(92)	(194)
Gain on sale of other assets	-	(42)
Equity loss from investment	106	-
Future income taxes	3,236	387
	14,451	14,457
Change in non-cash working capital balances:		
Accounts receivable	5,501	(4,067)
Prepaid expenses	274	44
Inventory	(199)	(1,281)
Accounts payable	(1,123)	1,049
Income tax payable	563	(201)
Cash flow from continuing operations	19,467	10,001
Discontinued operations:		
Income from discontinued operations	12,665	946
Add items not affecting cash:		
Future income taxes	478	581
Loss on disposal of capital assets	3	138
Depreciation and amortization	118	606
Gain on sale of discontinued operations	(11,697)	-
Cash from discontinued operations	1,567	2,271
Cash from operations	21,034	12,272
INVESTING ACTIVITIES:		
Purchase of equipment	(9,669)	(11,340)
Proceeds on disposal of equipment	788	1,917
Proceeds on disposal of investment	-	1,452
Proceeds on disposal of subsidiary	28,214	-
Acquisition of investment	-	(650)
	19,333	(8,621)
FINANCING ACTIVITIES:		
Increase in long-term debt	-	6,500
Repayment of long-term debt	(21,221)	(10,968)
Increase in bank operating line	(4,802)	3,642
Issue of share capital, net of costs	426	158
Repurchase of share capital	(7,264)	(2,444)
	(32,861)	(3,112)
Increase in cash position	7,506	539
Cash position, beginning of year	-	(539)
Cash position, end of year	\$ 7,506	\$ -
Supplemental information		
Interest paid	\$ 2,153	\$ 3,452
Income taxes refunded	\$ 543	\$ 746

Cash position is defined as cash less cheques issued in excess of funds in bank
See accompanying notes to consolidated financial statements.

NOTES to CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands of dollars)

Years ended December 31, 2001 and December 31, 2000

General:

Peak Energy Services Ltd. (the "Company") is a diversified Canadian energy services company operating in Western Canada. Through its various operating segments, the Company provides well-site accommodations, solids control and production services to oil and gas drilling contractors and oil and gas producers.

01. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

(b) Inventory:

Inventory of raw materials, replacement parts and other supplies are stated at the lower of cost determined on a specific or average cost basis, and replacement value.

(c) Capital assets:

Capital assets are stated at cost. Depreciation is provided over the useful lives of the assets using the following methods and rates:

Asset	Method	Rate
Vehicles and equipment	Declining balance	20%
Machinery and equipment	Declining balance	10 to 20%
Buildings	Straight-line	5 to 25 years
Office and computer equipment	Declining balance	10 to 30%

Depreciation on certain rental assets is provided on a utilization basis based upon estimated useful lives of up to 5,475 rental days.

(d) Investment:

The investment in an associated company over which the Company has significant influence is accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Company's share of post-acquisition earnings or losses less dividends.

(e) Goodwill:

Goodwill, which represents the excess of the costs of acquisition over the attributed fair value of assets and liabilities acquired, is amortized on a straight-line basis over 20 years. Management reviews the valuation and amortization of goodwill, taking into consideration the nature of the industry and the circumstances which might impair the value. The amount of impairment, if any, is determined based on estimated future undiscounted cash flows. Any permanent impairment in the value of goodwill is written off against earnings.

(f) Stock-based compensation plans:

The Company has a stock-based compensation plan which is described in detail in Note 7(d). No compensation expense is recognized for these plans when stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

(g) Revenue recognition:

The Company recognizes revenue for services and products at the time they are provided.

(h) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences – the difference between the carrying amount of an asset and liability in the consolidated balance sheet and its tax basis.

(i) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on information available as of the date of the consolidated financial statements. Actual results could differ from those estimates.

(j) Comparative figures:

Certain comparative figures have been reclassified to conform with the current financial statement presentation.

02. Change in accounting policy:

(a) Accounting for income taxes and prior period adjustment:

During 1999, the Company adopted the liability method of accounting for future income taxes. Previously the Company followed the deferral method.

The new policy was applied retroactively and opening retained earnings in 1999 was reduced by \$15,608,000 representing the cumulative effect of the change on prior periods of which \$13,423,000 was reflected in 1999, adjusted by \$2,185,000 in 2000 upon correction of the initial calculation.

(b) Earnings per share:

Effective for 2001, the Company retroactively adopted the treasury stock method for the calculation of diluted earnings per share. Under this method, the

NOTES to CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)
ended December 31, 2001 and December 31, 2000

proceeds of the exercise of options are considered to be used to re-acquire common shares at an average share price. Previously, additional earnings were imputed based on the proceeds resulting from the exercise of options. As a result of this change in accounting policy, there has been no change in the diluted earnings per share amount for the comparative year ending December 31, 2000.

Fixed assets:

2001	Cost	Accumulated depreciation	Net book value
Rental assets	\$ 93,346	\$ 12,724	\$ 80,622
Vehicles and equipment	20,024	5,791	14,233
Machinery and equipment	1,407	339	1,068
Land and buildings	1,272	91	1,181
Office and computer equipment	6,913	682	6,231
	\$ 122,962	\$ 19,627	\$ 103,335
2000	Cost	Accumulated depreciation	Net book value
Rental assets	\$ 100,944	\$ 10,259	\$ 90,685
Vehicles and equipment	19,303	4,770	14,533
Machinery and equipment	1,453	295	1,158
Land and buildings	2,658	234	2,424
Office and computer equipment	6,607	674	5,933
	\$ 130,965	\$ 16,232	\$ 114,733

Investment

In November 2000, the Company invested \$650,000 in Petrowave Solutions Inc. ("Petrowave"), a company which provides secure internet-based commercial software solutions for the oilfield services sector. This investment represents a 33.9% ownership interest in Petrowave and as such is accounted for using the equity method. During 2001, the Company's share of the loss in Petrowave was \$106,000. In addition, the Company has a revolving demand credit facility with Petrowave, to a maximum of \$500,000, interest-bearing at bank prime rate plus 2%. At December 31, 2001, \$100,000 of this facility was utilized and is included in accounts receivable and was repaid subsequent to year end.

Bank indebtedness:

At December 31, 2001 the Company has access to a revolving demand loan of \$5 million, to finance operations, of which \$nil was utilized at December 31, 2001 (2000 - \$4,802,145). The facility was established on November 27, 1997 and renewed on September 19, 2001. Interest is at bank prime rate or at bankers acceptance rates plus a stamping fee of 0.75%.

This facility is secured by a general assignment of book debts and a general security agreement over all assets.

Long-term debt:

	2001	2000
Loan payable requiring quarterly principal payments of \$250,000 plus interest at 8.03%. The loan matures May 2004 and is secured by certain equipment.	\$ 8,750	\$ 9,750
Loan payable requiring monthly payments of \$147,031 including interest at bank prime rate plus 1.5%. The loan matures March 2004 and is secured by certain equipment.	7,464	8,613
Loan payable requiring monthly interest payments and quarterly principal payments of \$125,000. Interest at 7.66%. The loan matures May 2004 and is secured by certain equipment.	4,375	4,875
Loans payable requiring monthly principal payments of \$13,000 including interest at bank prime rate plus 1.5%.	8	79
Revolving demand loan facility of \$25,000,000 expires May 31, 2002. Interest at bank prime rate plus 0.75% or at Bankers Acceptance rates plus a stamping fee of 1.5% secured by a general assignment of book debts and a general security agreement.	—	18,500
	20,597	41,817
Less current portion	2,901	2,772
	\$ 17,696	\$ 39,045

NOTES to CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands of dollars)

Years ended December 31, 2001 and December 31, 2000

Principal payments due in the next five years are as follows:

2002	\$ 2,901
2003	2,971
2004	3,245
2005	3,321
2006	3,321
Thereafter	4,838

07. Share capital:

(a) The authorized share capital of the Company consists of an unlimited number of common shares with no par value.

(b) Issued:

	Number of common shares (000's)	Amount
Balance, December 31, 1999	34,211	\$ 83,044
Exercise of share options	268	196
Repurchased and cancelled	(1,270)	(3,085)
Less share issue costs (net of future income taxes of \$17,000)	—	(21)
Balance, December 31, 2000	33,209	\$ 80,134
Exercise of share options	374	494
Repurchased and cancelled	(2,498)	(6,014)
Less share issue costs (net of future income taxes of \$38,000)	—	(68)
Balance, December 31, 2001	31,085	\$ 74,546

(c) Contributed surplus:

Contributed surplus arises upon the repurchase and cancellation of common shares at a price below the stated capital price per share.

(d) Share options:

The Company has reserved 2,969,435 common shares pursuant to a Stock Option Plan ("the Plan"). Options to purchase common shares of the Company under the Plan may be granted by the Board of Directors to certain full-time employees and officers of the Company. At December 31, 2001 there were Plan stock options outstanding to purchase 2,556,834 (2000 – 2,845,883) common shares at prices ranging from \$1.20 to \$5.40 per share, with expiry dates ranging from May 2002 to September 2006. Options are granted throughout the year and vest at 33 1/3% per year over 3 years commencing on the date of granting.

A summary of the status of the Company's stock option plan as of December 31, 2001 and 2000 and changes during the years ending on those dates is presented below:

	Options (000's)	2001 Weighted-average exercise price	Options (000's)	2000 Weighted-average exercise price
Outstanding, beginning of year	2,846	\$ 2.23	3,038	\$ 2.64
Granted	575	2.86	650	2.46
Exercised	(374)	1.32	(269)	0.78
Cancelled	(490)	2.61	(573)	5.42
Outstanding, end of year	2,557	\$ 2.42	2,846	\$ 2.23
Exercisable at end of year	1,335	\$ 2.42	1,378	\$ 2.32

NOTES to CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands of dollars)

Years ended December 31, 2001 and December 31, 2000

The range of exercise prices for options outstanding at December 31, 2001 are as follows:

Range of exercise prices	Options outstanding			Options exercisable	
	Number	Weighted-average remaining contractual life	Weighted-average exercise price	Number	Weighted-average exercise price
\$0.30 to 1.20	572,500	2.2	\$ 1.20	387,500	\$ 1.20
\$1.30 to 2.05	256,667	2.7	1.69	150,556	1.65
\$2.10 to 2.75	1,008,500	2.6	2.59	607,833	2.66
\$2.80 to 3.70	569,167	4.2	2.92	39,445	2.85
\$5.15 to 5.40	150,000	0.5	5.28	150,000	5.28
\$0.30 to 5.40	2,556,834	2.8	\$ 2.42	1,335,334	\$ 2.42

(e) Per share amounts:

Per share amounts have been calculated on the weighted average number of common shares outstanding. The weighted average shares outstanding for the year ended December 31, 2001 was 32,037,352 (year ended December 31, 2000 – 33,478,504).

Diluted per share amounts reflect the dilutive effect of the options outstanding. The diluted shares outstanding for the year ended December 31, 2001 was 32,613,436 (year ended December 31, 2000 – 33,993,175).

08. Income taxes:

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates of 42.1% (2000 – 44.6%) to income before income taxes. The reconciliation of the differences are as follows:

	2001	2000
Income from continuing operations before equity loss from investment	\$ 10,355	\$ 10,636
Income tax rate	42.1%	44.6%
Expected income tax provision	4,359	4,744
Change resulting from:		
Future enacted tax rates	(1,218)	(4,239)
Other	213	(76)
	\$ 3,354	\$ 429

The net future income tax liability at December 31, 2001 is comprised of the following temporary differences:

Future income tax assets:	
Non-capital losses	\$ 1,229
Other	30
	1,259
Future income tax liabilities:	
Property, plant and equipment	(22,908)
Income deferred for income tax purposes	(1,694)
	(24,602)
	\$ (23,343)

At December 31, 2001, the Company has accumulated losses for income tax purposes of \$3,102,000 available for carry-forward as a deduction from future income. These losses expire primarily during the years 2005 to 2008.

09. Financial instruments:

(a) Risk management activities:

Concentration of credit risk on the Company trade accounts receivable exists in the oil and gas industry. The Company does not have a significant exposure to any individual customer or other parties.

NOTES to CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands of dollars)

Years ended December 31, 2001 and December 31, 2000

(b) Fair values:

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of long-term debt approximates the carrying amount as it bears interest at floating interest rates.

10. Commitments:

The Company is committed to payments under operating leases for equipment and buildings approximately as follows:

2002	\$ 1,975
2003	1,651
2004	1,366
2005	913
2006	589

11. Discontinued operations:

On March 20, 2001, the Company sold the shares of its wholly owned subsidiary, Chimo Equipment Ltd. ("Chimo") representing the drilling instrumentation segment, for total cash proceeds of \$28,214,000. The net gain on the sale of the discontinued operations amounted to \$11,703,000 after income taxes of \$94,000, and the income from the discontinued operations was \$893,000 (2000 – \$946,000) after income taxes of \$769,000 (2000 – \$837,000). Discontinued operations generated revenues of \$3,677,000 (2000 – \$8,877,000) to the date of disposal, which have been excluded from revenues from continuing operations.

12. Segmented information

The Company operates in three industry segments which are substantially in one geographic segment. The Drilling Services division includes well-site accommodations which is engaged in the manufacturing and rental of high quality well-site accommodation units used as living quarters for staff on remote locations in the oil and gas industry; and solids control which is engaged in the rental of sumplex drilling systems comprised of a series of tanks and centrifuges. The drilling instrumentation division was disposed of during 2001. The Production Services division is engaged in providing tension anchor services for well servicing, the rental of frac/production tanks, pressure vessels, tubulars, pumps and tank truck services for completion fluids.

	Well-site Accommodations	Solids Control	Drilling Instrumentation	Drilling Services	Production Services	Corporate	Total
2001							
Revenue	\$ 14,834	\$ 17,294	\$ –	\$ 32,128	\$ 19,170	\$ –	\$ 51,298
Interest on long-term debt	1	1	–	2	–	2,151	2,153
Depreciation and amortization	1,045	2,128	–	3,173	2,206	69	5,448
Net income from continuing operations	5,617	5,819	–	11,436	3,042	(8,725)	5,753
Total assets	40,131	60,839	–	100,970	35,641	5,893	142,504
Capital expenditures	3,336	3,676	677	7,689	1,696	284	9,669
2000							
Revenue	\$ 14,420	\$ 16,271	\$ –	\$ 30,691	\$ 18,100	\$ –	\$ 48,791
Interest on long-term debt	6	6	–	12	–	3,440	3,452
Depreciation and amortization	931	2,219	–	3,150	2,116	10	5,276
Net income from continuing operations	6,405	5,508	–	11,913	3,605	(6,488)	9,030
Total assets	40,928	58,948	18,901	118,777	37,396	1,749	157,922
Capital expenditures	1,718	2,048	3,673	7,439	3,835	66	11,340

BOARD OF DIRECTORS

William M. Gallacher

Managing Director
and Chief Operating Officer
Avenir Capital Corporation
Director, Maxim Power Corporation
Director, Atlas Energy

Richard A. Grafton

President and Chief Executive Officer
Avenir Capital Corporation

John A. Hagg

Corporate Director

Christopher E. Haslam

President, Chief Executive Officer and
Chairman of the Board

Frederick A. Moore

President, Nusco Manufacturing
and Supply Ltd.

R. D. Barry Sullivan

Private Investor

Lloyd Swift

President, Square Butte Resources Inc.
Director, Morrison Facility Income Fund
Director, Rio Alto Exploration Ltd.

MANAGEMENT

Christopher E. Haslam

President and Chief Executive Officer

Matthew J. Huber

Vice President, Finance

Curt W. Whitteron

Vice President, Operations

Craig Tizzard

Corporate Controller

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: "PES"

INVESTOR RELATIONS CONTACT

Matthew J. Huber

Tel: 403.543.7325

ANNUAL MEETING

The Annual Meeting of the shareholders of Peak Energy Services Ltd. will be held on June 4, 2002 at 10 a.m. in the Cardium Room of the Calgary Petroleum Club, 319 – 5th Avenue SW, Calgary, Alberta. Shareholders are encouraged to attend. Those unable to do so should complete and forward the forms of proxy to Computershare Investor Services.

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